

GENERAL ACCOUNTING OFFICE

Comprehensive Audit

1. The term Comprehensive Audit was developed to fill the need of distinguishing between the old centralized voucher audit, corporation audits under the Government Corporation Control Act, and various other types of audits such as cost contract audits performed in contractors' plants. The term is used to apply to those audit assignments which are designed to carry out all the audit responsibilities of the Office in a single-package approach.

2. The purpose of the comprehensive audit is to determine how well the agency or activity under audit has discharged its financial responsibilities. Financial responsibilities in this case are construed as including the expenditure of funds and the utilization of property and personnel in the furtherance only of authorized programs or activities and the conduct of programs or activities in an effective, efficient and economical manner. Congressional authority for audits with this objective is contained in the legislative history of the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950.

3. The General Accounting Office takes the approach that the comprehensive audit requires a determination of five things:

a. That the agency is carrying out only those activities or programs authorized by the Congress and is conducting them efficiently and in the manner authorized.

b. That expenditures are made only in the furtherance of authorized activities and in accordance with the requirements of applicable laws

- 2 -

and regulations, including decisions of the Comptroller General.

c. That the agency collects and accounts properly for all revenues and receipts arising from its activities.

d. That the assets of the agency or in its custody are adequately safeguarded and controlled and utilized in an efficient manner.

e. That reports by the agencies to the Congress and to the central control agencies, such as the Bureau of the Budget, disclose fully the nature and scope of activities conducted and provide a proper basis for evaluating the agencies' operations.

4. In order to make these determinations and to take the actions which may be necessary, the comprehensive audit includes:

a. A study of the pertinent laws and legislative history to ascertain congressional intent as to the purposes of the activities engaged in by the agency, their intended scope, the manner in which they are to be conducted, and the extent of the agency's authority and responsibility.

b. A review of the policies established by the agency (and to the extent applicable, by the central control agencies) to determine whether (1) they conform to the intent of Congress, and (2) they are designed to carry out the authorized activities in an effective and efficient manner.

c. A review of the procedures, practices, form of organization (particularly as to the segregation of duties and responsibilities), and system of reporting, review, and inspection as well as other elements of internal control to determine whether they (1) provide reasonable

- 3 -

assurance of control over expenditures, receipts and revenues, and assets, (2) assure the accuracy, reliability and usefulness of financial data, including the budget statements and supporting data presented to the Budget Bureau and the Congress, (3) promote operational efficiency, (4) result in adherence to prescribed policies, and (5) assure compliance with the requirements of applicable laws, regulations and decisions.

d. A review and analysis, by activities, of receipts and revenues, expenditures, and the utilization of assets together with all related control processes as a basis for evaluating the effectiveness with which public funds are applied and property utilized. This will include comparisons of performance with budget estimates and with results of prior periods and evaluation of costs of performance in relation to accomplishments.

e. The examination of individual transactions, the confirmation of balances with debtors, creditors, and depositaries, and the physical inspection of property, to the extent necessary to determine whether (1) transactions have been consummated in accordance with applicable laws, regulations, and decisions, and have been correctly classified, (2) resources and financial transactions have been properly accounted for, and (3) control processes of the agency are functioning effectively.

f. The exploration and full development of all important deficiencies encountered and the presentation of appropriate recommendations for corrective action by the Congress, where needed, agency heads, or the control agencies such as the Bureau of the Budget, the Civil Service

- 4 -

Commission, and the General Services Administration. This will include the reporting of any programs undertaken or transactions completed without authority of law disclosed during the audit as well as the stating of exceptions against accountable officers and the making of collections resulting from illegal or otherwise improper expenditures.

5. The satisfactory completion of this type of audit, in addition to fulfilling the audit responsibilities imposed on the Comptroller General, will enable the Office to furnish assistance to the appropriations committees and to the Bureau of the Budget in connection with their consideration of annual budget estimates and to furnish more intelligent comments to the Congress on substantive legislation affecting the operations of the various agencies.

6. Government agencies are generally financed by congressional appropriation rather than by investors and creditors, and such agencies are preponderantly of the nonbusiness and non-revenue-producing type. Also, the Congress circumscribes in great detail the manner in which funds may be used or expended. For example, fixed amounts may be appropriated for specific programs and additional limitations placed upon the amounts available for various phases of a program and for specific types of expenses such as travel or salary. In addition, the manner in which the funds may be obligated and expended may be specified, e.g., prohibiting negotiated purchases, providing salary scales and the precise manner in which pay may be earned, and designating the manner in which travel may be performed. The comprehensive audit must be

- 5 -

sufficiently broad in scope and the testing of individual transactions must be sufficiently extensive to provide a basis for an opinion as to the agency's compliance with all these legal requirements as well as many others imposed by Executive direction, regulations of other agencies, and decisions by the Comptroller General.

7. The responsibility of the General Accounting Office requires an examination into areas of inefficiency and waste in the administration and expenditure of public funds. Because of the manner in which a Government agency is financed and circumscribed in its activities, the stewardship concept in the handling of public funds is of great importance and must receive extended audit treatment.

8. The General Accounting Office has the authority and responsibility to adjust and settle accounts after audit. In the case of most Government agencies other than corporations, the General Accounting Office possesses and exercises the power to refuse credit to accountable officers for payments made illegally or improperly. In substance, this means that the auditors have the responsibility to disallow credit for and to enforce recovery of money improperly paid out by action against the accountable officer or his surety.

Mr. Saunders left the attached for you

*File
Kidday Sub Comm -*

mks 3/16/59